

# Almond Fund 2007

## Financial Statements

For the Year Ended 30 June 2016

# **RFM Almond Fund 2007**

ARSN 124 998 527

## **Contents**

|  |    |
|--|----|
| Corporate Directory  | 1  |
| Directors' Report  | 2  |
| Auditor's Independence Declaration                         | 7  |
| Statement of Comprehensive Income                          | 8  |
| Statement of Financial Position                            | 9  |
| Statement of Changes in Net Assets Attributable to Growers | 10 |
| Statement of Cash Flows                                    | 11 |
| Notes to the Financial Statements                          | 12 |
| Directors' Declaration                                     | 22 |
| Independent Auditor's Report                               | 23 |

# **RFM Almond Fund 2007**

ARSN 124 998 527

## **Corporate Directory**

|                     |   |
|---------------------|---|
| Registered Office   | Level 2, 2 King Street<br>DEAKIN ACT 2600   |
| Responsible Entity  | Rural Funds Management Limited<br>ABN 65 077 492 838<br>AFSL 226 701<br>Level 2, 2 King Street<br>DEAKIN ACT 2600<br>Ph: 1800 026 665 |
| Directors           | Guy Paynter<br>David Bryant<br>Michael Carroll  |
| Company Secretaries | Andrea Lemmon<br>Stuart Waight  |
| Custodian           | Australian Executor Trustees Limited<br>ABN 84 007 869 794<br>Level 22, 207 Kent Street<br>SYDNEY NSW 2000                            |
| Auditors            | PricewaterhouseCoopers<br>Darling Park<br>201 Sussex Street<br>SYDNEY NSW 2000  |
| Bankers             | Australia and New Zealand Banking Group Limited (ANZ)<br>242 Pitt Street<br>SYDNEY NSW 2000   |

# RFM Almond Fund 2007

ARSN 124 998 527

## Directors' Report

30 June 2016

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of RFM Almond Fund 2007 (AF07 or the Scheme) present their report on the Scheme for the financial year ended 30 June 2016.

### Directors

The following persons held office as Directors of the Responsible Entity during the year and up to the date of this report:

|                 |                        |
|-----------------|------------------------|
| Guy Paynter     | Non-Executive Chairman |
| David Bryant    | Managing Director      |
| Michael Carroll | Non-Executive Director |

### Principal activities and significant changes in nature of activities

The principal activity of the Scheme during the year was the commercial growing of almonds to be sold for processing and consumption in Australia and internationally.

AF07 was established in 2007 to provide Growers with an opportunity to invest and participate in the business of growing and selling almonds. Growers are licensed to operate an almond growing business for 20 years from June 2007, after which the agricultural produce from the trees reverts to the lessor. From 2007 to 2027 the Growers have entered into a Licence and Management Agreement (LMA) with RFM to conduct the growing and harvest of the almonds.

For the duration of the licence period, Growers are entitled to receive net cash flows arising under the Scheme, being revenue from almond sales less the Scheme costs. When Scheme costs exceed revenue, the Growers are required to fund the shortfall. When revenue exceeds costs, the surplus is distributed to Growers. During the 2016 year revenue exceeded costs and the surplus is expected to be distributed to Growers in October 2016.

As the Scheme manages the cash flows associated with the above and does not operate a business in its own right, AF07 does not have net assets, except for the balance noted in the Statement of Financial Position. The respective rights and obligations under the LMA rest with the Growers.

The Scheme grants a licence of an almondlot to a Grower pursuant to the LMA. If a Grower fails to make payment in accordance with the LMA, the Responsible Entity may cancel their almondlots and the Grower's interest in the Scheme is automatically terminated.

Further information on Scheme operations is detailed in note 1 on page 12.

Each almond grove operated represents an area of 0.2158 hectares (2015: 0.2158 hectares). As at 30 June 2016, the Scheme had 53 Growers (2015: 53) with a total of 338 groves (2015: 338) representing 72.9 hectares (2015: 72.9).

### Operating results

The operating loss attributable to Growers for the year ended 30 June 2016 amounted to \$447,282 (2015: \$1,673,016 profit).

Harvest proceeds are received in the financial year following harvest. Therefore, the 2016 harvest proceeds will be received in the 2017 financial year. The proceeds of the 2015 harvest, the Scheme's sixth harvest, were available to fund 2016 financial year operating costs. The table below gives the details of the 2016 harvest with a comparison to 2015.

|   | <b>Tonnes<br/>per grove</b> | <b>Tonnes<br/>per hectare</b> |
|---|-----------------------------|-------------------------------|
| 2016 estimated harvest (per original PDS) | <b>0.76</b>                 | 3.50                          |
| 2016 estimated harvest (per forecast)     | <b>0.65</b>                 | 3.00                          |
| 2015 estimated harvest (per original PDS) | <b>0.76</b>                 | 3.50                          |
| 2015 actual harvest                       | <b>0.94</b>                 | 4.34                          |

# RFM Almond Fund 2007

ARSN 124 998 527

## Directors' Report

30 June 2016

### Operating results (continued)

The final almond price for the 2015 harvest was \$11.27 per kilogram which provided a net cash surplus position for the 2016 financial year. A distribution is expected to be paid to Growers in October 2016.

The 2016 harvest yield is 15% lower than the estimated yield of 3.5 tonnes per hectare, due to the tendency for trees to follow a large crop with a smaller one in the subsequent year. The almond price has also fallen with a current price forecast of \$7.50 per kilogram.

Almondco Australia Limited ("Almondco"), the company responsible for processing and marketing the Scheme's almonds, sells the crop progressively over twelve months following harvest and thus the 2016 harvest final pricing will not be known until 30 June 2016.

On 3 April 2014, RFM entered a loyalty rebate agreement with Almondco committing to use their hulling and shelling services at the Lyrup facility for all RFM managed almond crop for a term of up to three years. In consideration for RFM's commitment, RFM secured a loyalty rebate of \$0.07 per kilogram of the net kernel weight of almonds supplied.

### Financial position

At 30 June 2016 the Scheme held assets with a total value of \$3,205,685 (2015: \$3,851,735) on behalf of Growers.

### Distributions and performance

At balance date the Scheme had amounts held from 2015 harvest proceeds to cover Growers' 2016 operating costs, management fees and licence fees. 2015 harvest revenue was sufficient to fund 2016 operating costs and the cash surplus is expected to be distributed to Growers in October 2016.

### Interests in the Scheme

|  | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
|  | <b>No.</b>  | <b>No.</b>  |
| Licence and Management Agreements                  | <b>53</b>   | 53          |
| Almondlots under Licence and Management Agreements | <b>338</b>  | 338         |

### Fees paid to Responsible Entity

In accordance with the LMA, management fees paid to the Responsible Entity for the financial year ended 30 June 2016 were \$84,447 (2015: \$83,281) inclusive of GST.

A performance fee is payable by the Growers to the Responsible Entity for each financial year from and including the financial year commencing 1 July 2013, calculated in accordance with the LMA. The 2016 distribution amount has exceeded the 2016 benchmark set in the LMA. As a result, performance fees payable to the Responsible Entity for the financial year ended 30 June 2016 were \$197,223 (2015: nil) inclusive of GST.

### Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Scheme during the year.

# **RFM Almond Fund 2007**

ARSN 124 998 527

## **Directors' Report**

**30 June 2016**

### **Matters subsequent to the end of the financial year**

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is \$7.35/kg. This price decrease has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2016. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2017.

No other matter or circumstance has arisen since the end of the year that has significantly affected or could significantly affect the operations of the Scheme, the results of those operations or the state of affairs of the Scheme in future financial years.

### **Likely developments and expected results of operations**

Maximising grower returns by developing crop yield potential and improving efficiency in operations continue to be the main focus for the Scheme.

### **Environmental regulation**

The operations of the Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

There have been no known breaches of any other environmental requirements applicable to the Scheme.

### **Indemnity of Responsible Entity and Custodian**

In accordance with the constitution, the RFM Almond Fund 2007 indemnifies the Directors, Company Secretaries and all other officers of the Responsible Entity and Custodian when acting in those capacities, against costs and expenses incurred in defending certain proceedings.

# RFM Almond Fund 2007

ARSN 124 998 527

## Directors' Report

30 June 2016

### Information on Directors of the Responsible Entity

#### **Guy Paynter**

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

#### **David Bryant**

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

#### **Michael Carroll**

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

#### **Non-Executive Chairman**

Bachelor of Laws from The University of Melbourne

Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Today, Guy is also chairman of Bill Peach Group Limited (previously known as Aircruising Australia Limited).

Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Member of Audit Committee

Rural Funds Group, RFM Poultry

#### **Managing Director**

Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne

David Bryant established RFM in February 1997. Since then, David has led the RFM team that has acquired over \$390 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 35 properties and over 70,000 megalitres of water entitlements.

Managing Director

Rural Funds Group, RFM Poultry

#### **Non-Executive Director**

Bachelor of Agricultural Science from La Trobe University and a Master of Business Administration (MBA) from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors

Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the boards of Tassal Group Limited, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Limited, and the Gardiner Dairy Foundation. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

Chairman of Audit Committee

Michael is on the Board of Tassal Group Limited, Rural Funds Group, RFM Poultry and Select Harvests Limited. Michael was on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

# RFM Almond Fund 2007

ARSN 124 998 527

## Directors' Report

30 June 2016

### Company secretaries of the Responsible Entity

Stuart Waight and Andrea Lemmon are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM's Chief Operating Officer. Andrea has been with RFM since 1997 and currently holds the position of Executive Manager Funds Management.

### Meetings of Directors of the Responsible Entity

During the financial year 14 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

|                 | Directors Meetings     |              |
|-----------------|------------------------|--------------|
|                 | No. eligible to attend | No. attended |
| Guy Paynter     | 14                     | 13           |
| David Bryant    | 14                     | 13           |
| Michael Carroll | 14                     | 14           |

### Non-audit services

During the year ended 30 June 2016 fees of \$4,408 (2015: nil) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

### Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and is included on page 7 of the financial report.

The Directors' report is signed in accordance with a resolution of the Board of Directors of Rural Funds Management Limited.



David Bryant  
Director

28 September 2016





## **Auditor's Independence Declaration**

As lead auditor for the audit of RFM Almond Fund 2007 for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'CMC Heraghty', written over a horizontal line.

CMC Heraghty  
Partner  
PricewaterhouseCoopers

Sydney  
28 September 2016

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

# RFM Almond Fund 2007

ARSN 124 998 527

## Statement of Comprehensive Income

For the year ended 30 June 2016

|  | Note | 2016<br>\$       | 2015<br>\$  |
|--|------|------------------|-------------|
| Revenue  | 4    | 3,563,650        | 2,236,246   |
| Cost of almonds sold                               |      | (3,494,919)      | (2,193,644) |
| Change in fair value of biological assets          | 9    | 216,157          | 2,131,572   |
| Other income                                       |      | 158              | 103         |
| Interest received                                  |      | 14,078           | 4,795       |
| Performance fees                                   |      | (197,223)        | -           |
| Management fees                                    |      | (84,447)         | (83,281)    |
| Land lease and rental                              |      | (464,731)        | (422,766)   |
| Other expenses                                     |      | (5)              | (9)         |
| <b>Net (loss)/profit attributable to Growers</b>   |      | <b>(447,282)</b> | 1,673,016   |
| <b>Net (loss)/(profit for the year</b>             |      | <b>(447,282)</b> | 1,673,016   |
| <b>Other comprehensive income:</b>                 |      |                  |             |
| Other comprehensive income                         |      | -                | -           |
| <b>Total (loss)/profit attributable to Growers</b> |      | <b>(447,282)</b> | 1,673,016   |

The accompanying notes form part of these financial statements.

# RFM Almond Fund 2007

ARSN 124 998 527

## Statement of Financial Position

As at 30 June 2016

|   | Note | 2016<br>\$       | 2015<br>\$ |
|---|------|------------------|------------|
| <b>ASSETS</b>   |      |                  |            |
| <b>Current assets</b>   |      |                  |            |
| Cash and cash equivalents   | 6    | 1,565,831        | 267,102    |
| Trade and other receivables   | 7    | 110,459          | 209,064    |
| Inventories   | 8    | 1,527,295        | 3,373,469  |
| <b>Total current assets</b>   |      | <b>3,203,585</b> | 3,849,635  |
| <b>Non-current assets</b>   |      |                  |            |
| Financial assets  | 10   | 2,100            | 2,100      |
| <b>Total non-current assets</b>   |      | <b>2,100</b>     | 2,100      |
| <b>Total assets</b>   |      | <b>3,205,685</b> | 3,851,735  |
| <b>LIABILITIES</b>  |      |                  |            |
| <b>Current liabilities</b>  |      |                  |            |
| Trade and other payables  | 11   | 359,385          | 167,729    |
| <b>Total current liabilities</b>  |      | <b>359,385</b>   | 167,729    |
| <b>Total liabilities (excluding net assets attributable to growers)</b> |      | <b>359,385</b>   | 167,729    |
| Net assets attributable to growers                                      |      | 2,846,300        | 3,684,006  |
| <b>Total liabilities</b>  |      | <b>3,205,685</b> | 3,851,735  |

The accompanying notes form part of these financial statements.

# RFM Almond Fund 2007

ARSN 124 998 527

## Statement of Changes in Net Assets Attributable to Growers

For the year ended 30 June 2016

|  | 2016             |
|--|------------------|
|  | \$               |
| <b>Balance at 1 July 2015</b>                      | <b>3,684,006</b> |
| Net (loss)/(profit for the year                    | <b>(447,282)</b> |
| Other comprehensive income                         | -                |
| <b>Total (loss)/profit attributable to Growers</b> | <b>(447,282)</b> |
| Distributions to growers                           | <b>(390,424)</b> |
| <b>Balance at 30 June 2016</b>                     | <b>2,846,300</b> |

  

|   | 2015      |
|---|-----------|
|   | \$        |
| <b>Balance at 1 July 2014</b>               | 2,231,282 |
| Net profit for the year                     | 1,673,016 |
| Other comprehensive income                  | -         |
| <b>Total profit attributable to Growers</b> | 1,673,016 |
| Distributions to growers                    | (220,292) |
| <b>Balance at 30 June 2015</b>              | 3,684,006 |

The accompanying notes form part of these financial statements.

# RFM Almond Fund 2007

ARSN 124 998 527

## Statement of Cash Flows

For the year ended 30 June 2016

|   | Note | 2016<br>\$       | 2015<br>\$     |
|---|------|------------------|----------------|
| <b>Cash flows from operating activities</b>                 |      |                  |                |
| Receipts from customers                                     |      | 3,563,650        | 2,236,246      |
| Payments to Responsible Entity                              |      | (1,888,575)      | (2,037,871)    |
| Interest received   |      | 14,078           | 4,795          |
| Net cash inflow from operating activities                   | 15   | 1,689,153        | 203,170        |
| <b>Cash flows from investing activities</b>                 |      |                  |                |
| Proceeds from sale of investments                           |      | -                | 7,800          |
| Dividend received   |      | -                | 100            |
| Net cash inflow from investing activities                   |      | -                | 7,900          |
| <b>Cash flows from financing activities</b>                 |      |                  |                |
| Distributions paid to growers                               |      | (390,424)        | (220,292)      |
| Net cash outflow from financing activities                  |      | (390,424)        | (220,292)      |
| Net increase / (decrease) in cash and cash equivalents held |      | 1,298,729        | (9,222)        |
| Cash and cash equivalents at the beginning of the year      |      | 267,102          | 276,324        |
| <b>Cash and cash equivalents at the end of the year</b>     | 6    | <b>1,565,831</b> | <b>267,102</b> |

The accompanying notes form part of these financial statements.

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 1 General information

These financial statements cover the RFM Almond Fund 2007 (AF07 or the Scheme) as an individual entity. The Scheme is a registered managed investment scheme constituted in 2007. The Responsible Entity of the Scheme, Rural Funds Management Limited (RFM), is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

The financial statements were authorised for issue by the directors of the Responsible Entity on 28 September 2016. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

The Scheme does not operate a business in its own right. The Scheme acts as a conduit for the receipt of income from the sale of almond produce, and the distribution of the same to grower investors. It also acts as a conduit for the receipt of monies from Growers and where applicable the distribution of those monies in accordance with the Scheme's constituent documents. Growers are responsible for all operating costs, licence and management fees, including an interest component to fund the operation. Any profits made under the Scheme are profits made by Growers.

For the duration of the licence period, Growers are entitled to receive the net cash flows arising under the Scheme, being the revenue from almond sales less the Scheme costs. The 2015 harvest revenue received throughout 2016 has been applied to fund 2016 operating expenses. When revenue exceeds costs, the surplus is distributed to Growers.

As the Scheme manages the cash flows associated with the above and does not operate a business in its own right, the Scheme does not have net assets except for the balance noted in the Statement of Financial Position. The respective rights and obligations under the Licence and Management Agreement (LMAs) rest with the Growers.

#### *Obligations of the Responsible Entity*

The Responsible Entity, RFM, has obligations to operate the Scheme and perform functions conferred on it by the relevant Scheme constitution.

In addition, RFM has separately entered into individual contractual arrangements with individual members of the Scheme under which RFM has other obligations directly with those members.

This financial report relates only to the Scheme and therefore only considers the obligations of RFM to the Scheme pursuant to the constitution and the sublease. Other than as noted below, the financial report does not consider obligations of RFM in respect of obligations to members of the Scheme pursuant to the separate contractual relationships between RFM and those members.

#### *Other obligations to members of the Scheme*

In addition to its responsibilities as the Responsible Entity, RFM has entered into individual contractual arrangements with members of the Scheme under which RFM is obliged to incur various expenditures and provide various services. The members either have paid or will make payments to RFM to perform these obligations. The costs incurred by RFM in discharging its contractual obligations with individual members are specific financial obligations of RFM and are reimbursable to RFM by members. They can be recoverable from the member's proceeds of sale and are not financial obligations of the Scheme. Therefore these costs are not directly relevant to this financial report.

Notwithstanding this, members of the Scheme should understand that in addition to RFM meeting its obligations to the Scheme under the Scheme constitutions, RFM also needs to meet its contractual obligations to members for services pursuant to the individual agreements entered into with individual members of the Scheme. These obligations include incurring maintenance expenditure for the duration of the Scheme.

The cash inflows to RFM from the performance of the ongoing management and maintenance services for the member are predominantly received within thirteen months of the expenditure being incurred.

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 2 Summary of significant accounting policies

#### Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management Limited as Responsible Entity of the Scheme.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the Scheme's Constitution. The report has been prepared on a going concern basis.

The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost. The Statement of Comprehensive Income matches harvest proceeds received during the period to the costs incurred in the period consistent with the basis on which Growers are invoiced.

#### Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

#### Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Scheme and specific criteria relating to the type of revenue as noted below, have been satisfied.

Interest revenue is recognised in the Statement of Comprehensive Income as it accrues, on an effective interest rate basis.

Revenue from the sale of agricultural produce is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity.

#### Income tax

All Scheme assets and any income of the Scheme is held on behalf of either the Growers or the Responsible Entity. The Scheme does not derive any income on its own account and accordingly is not subject to income tax.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised inclusive of the amount of GST. Growers registered for GST are able to claim input tax credits from the ATO based on the annual invoice. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis.

#### Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 2 Summary of significant accounting policies (continued)

#### Trade and other receivables

Trade receivables are recognised and carried at original amount, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Financial difficulties of the debtor, default payments or debts more than 180 days overdue are considered objective evidence of impairment.

#### Impairment of assets

At each reporting date, the Scheme reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

#### Inventories

##### *Agricultural produce*

Agricultural produce on hand at year end is valued at the lower of cost and net realisable value. Prior to acquisition of inventory, in accordance with the AASB 141 *Agriculture*, cost is measured at fair value less point of sale costs at the time of harvest.

Inventories include almonds on hand, both delivered to the processor and undelivered at balance date, as the transfer of ownership of the almonds to the customer does not occur until they are paid for.

##### *Biological assets*

In accordance with AASB 141 *Agriculture*, the almond harvest has been recognised at fair value less costs to sell at the point of harvest.

Any changes in the fair value of biological assets are recognised as income or expenditure in the Statement of Comprehensive Income. The movement is determined as the difference between the net fair value at the beginning and at the end of financial year adjusted for additions and harvesting during the financial year amount is expensed to the Statement of Comprehensive Income.

#### Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Scheme becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### *Available-for-sale financial assets*

Certain investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless their fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to net assets attributable to Growers where the investment is held above cost, and through the Statement of Comprehensive Income where the fair value is less than costs.

##### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and option pricing models.



# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 2 Summary of significant accounting policies (continued)

#### Trade and other payables

Liabilities for creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

#### Terms and conditions on interests

Each Grower entered into a LMA under which they contracted with the Responsible Entity to take a lease of one or more almondlots, totaling 0.25 hectares each, within the almond grove, and for the Responsible Entity to carry on the future management and maintenance of those almondlots for the duration of the project. The Responsible Entity will arrange for the harvest of the almond produce on behalf of Growers. The almond produce from all almondlots in the project will be aggregated with Growers receiving their proportionate share of the proceeds of sale of almond produce from the project as arranged by the Responsible Entity.

As a result of the resolutions passed at a meeting of Growers on 24 February 2010 an almondlot is defined as an area of approximately 0.25 hectares or such other size as notified by the Responsible Entity to the Grower. At the date of this report the almondlot size is 0.2158 hectares.

#### New accounting standards and interpretations

| Standard Name   | Effective date for the Scheme | Requirements  | Impact   |
|---|-------------------------------|---|--|
| AASB 2014-6 Amendments to AASB 116 and AASB 141 for bearer plants | 1 Jan 2016                    | Amends the accounting for bearer plants to now be the same as property, plant and equipment in AASB 116 Property, Plant and Equipment, because their operation is similar to that of manufacturing. | It is not expected that this standard will have a material impact on the Scheme.   |
| AASB 15 Revenue from contracts with customers                     | 1 Jan 2018                    | Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.                                    | It is not expected that this standard will have a material impact on the Scheme.   |
| AASB 16 Leases  | 1 Jan 2019                    | Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.   | Management is currently assessing the impact of the new rules. It is expected that this standard will have an impact on the property leases of the Scheme. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods.

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates or assumptions are made:

#### *Net realisable value of inventory*

The price forecast for the 2016 harvest proceeds is based on Almondco Australia Limited's (Almondco) almond value calculation advice which takes into consideration the trend of demand and supply, performance from other major almond producers as well as foreign currency fluctuation.

### 4 Revenue

|                                    | 2016             | 2015             |
|------------------------------------|------------------|------------------|
|                                    | \$               | \$               |
| Harvest proceeds - sale of almonds | 3,563,650        | 2,236,246        |
| <b>Total</b>                       | <b>3,563,650</b> | <b>2,236,246</b> |

### 5 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the scheme:

|   | 2016          | 2015          |
|---|---------------|---------------|
|   | \$            | \$            |
| PricewaterhouseCoopers Australia:           |               |               |
| Auditing and review of the financial report | 19,512        | 18,995        |
| Compliance audit                            | 4,408         | -             |
| <b>Total</b>                                | <b>23,920</b> | <b>18,995</b> |

### 6 Cash and cash equivalents

|              | 2016             | 2015           |
|--------------|------------------|----------------|
|              | \$               | \$             |
| Cash at bank | 1,565,831        | 267,102        |
| <b>Total</b> | <b>1,565,831</b> | <b>267,102</b> |

#### *Reconciliation of cash*

Cash and cash equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows:

|                           |           |         |
|---------------------------|-----------|---------|
| Cash and cash equivalents | 1,565,831 | 267,102 |
|---------------------------|-----------|---------|

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 7 Trade and other receivables

|                             | 2016           | 2015           |
|-----------------------------|----------------|----------------|
|                             | \$             | \$             |
| Trade and other receivables | 110,459        | 209,064        |
| <b>Total</b>                | <b>110,459</b> | <b>209,064</b> |

### 8 Inventories

|                                   | 2016             | 2015             |
|-----------------------------------|------------------|------------------|
|                                   | \$               | \$               |
| <b>Agricultural produce</b>       |                  |                  |
| Almonds on hand, and at processor | 1,527,295        | 3,373,469        |
| <b>Total</b>                      | <b>1,527,295</b> | <b>3,373,469</b> |

Agricultural produce inventory represents almonds which have been harvested but not yet sold.

The Scheme receives instalment payments of the proceeds and therefore the final sale price will not be known until the final instalment is received, which for the current harvest is due in June 2017. The forecast sale price is \$7.50 per kilogram (2015 actual: \$11.27 per kilogram).

### 9 Biological assets

|  | 2016        | 2015        |
|--|-------------|-------------|
|  | \$          | \$          |
| Opening balance                          | -           | -           |
| Costs capitalised                        | 1,311,138   | 1,241,897   |
| Change in fair value of biological asset | 216,157     | 2,131,572   |
| Transfer to inventory                    | (1,527,295) | (3,373,469) |
| <b>Closing balance</b>                   | <b>-</b>    | <b>-</b>    |

The increment in biological assets represents the expected market price net of selling costs for the almond crop, which is generally harvested in the first four months of the calendar year. The Scheme receives instalment payments of the proceeds as the almonds are sold and therefore the final sale price will not be known until the final instalment is received, which for the current harvest is due in June 2017. The forecast sale price is \$7.50 per kilogram (2015: \$11.27 per kilogram actual). The Scheme does not own any trees. The fair value less costs to sell of almonds on trees and cost of work performed in respect of the 2017 crop at the year ended 30 June 2016 was nil.

### 10 Financial assets

|                       | 2016         | 2015         |
|-----------------------|--------------|--------------|
|                       | \$           | \$           |
| Investment - Almondco | 2,100        | 2,100        |
| <b>Total</b>          | <b>2,100</b> | <b>2,100</b> |

### 11 Trade and other payables

|                | 2016           | 2015           |
|----------------|----------------|----------------|
|                | \$             | \$             |
| Trade payables | 359,385        | 167,729        |
| <b>Total</b>   | <b>359,385</b> | <b>167,729</b> |

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 12 Financial risk management

Financial instruments of the Scheme comprise cash and cash equivalents, net assets attributable to Growers, and other financial instruments such as trade debtors and creditors, which arise directly from its operations. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to Growers of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, ultimately to the Board of Directors of the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels.

#### *Credit risk*

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk is not considered to be significant to the Scheme because any default by a Grower on their contributions results in a corresponding reduction in the payable to RFM for management fees, licence fees and interest.

The Scheme sells its almonds through Almondco, an almond processing and marketing cooperative. The Responsible Entity retains ownership of the almonds until payment is received for their sale. Credit risk from this counterparty is assessed as low.

#### *Liquidity risk*

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying distributions to Growers, if necessary, until the funds are available to pay them.

Financial liabilities of the Scheme comprise trade and other payables, and net assets attributable to Growers. Trade and other payables are on terms that correspond with Grower contributions thus limiting liquidity risk. Net assets attributable to Growers are payable when distributable profit meets the criteria for distribution according to the Scheme's Constitution.

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 12 Financial risk management (continued)

#### *Market risk*

Market risk is the risk that the fair value or future cash flows of financial assets will fluctuate due to changes in market variables such as interest rates. The effects of a \$0.50/kg change in the price of almonds on unrealised harvest proceeds are shown in the following table. Any effect in the unrealised harvest proceeds would affect the net payable or receivable from the grower following payment of next year's growing costs.

|                       | <b>2016</b>      | <b>2016</b>      | <b>2015</b>      | <b>2015</b>  |
|-----------------------|------------------|------------------|------------------|--------------|
|                       | <b>Per grove</b> | <b>Total</b>     | <b>Per grove</b> | <b>Total</b> |
|                       | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        | <b>\$</b>    |
| Increase of \$0.50/kg | <b>323</b>       | <b>109,265</b>   | 473              | 159,963      |
| Decrease of \$0.50/kg | <b>(323)</b>     | <b>(109,265)</b> | (473)            | (159,963)    |

#### *Fair values*

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts that approximate their fair values.

### 13 Key management personnel

#### *Directors*

The Directors of RFM are considered to be key management personnel of the Scheme. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Paynter  
David Bryant  
Michael Carroll

#### *Other key management personnel*

In addition to the Directors noted above, RFM, as Responsible Entity of the Scheme is considered to be key management personnel with the authority for the strategic direction and management of the Scheme.

In accordance with the Constitution and LMA, the Responsible Entity received management fees of \$249.84 (2015: \$246.39), inclusive of GST, per almondlot.

The revised fee structure has been applied retrospectively from 1 July 2009 to Growers that elected to remain in the scheme. Following the decision of the Responsible Entity to reduce the lot size from 0.25ha to 0.2158ha the revised fees and costs were also further scaled back on a proportional basis.

The agreement terminates on 30 June 2027.

#### *Compensation of key management personnel*

No amount is paid by the Scheme directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Scheme to the Directors as key management personnel.

#### *Interests in the Scheme held by the Responsible Entity and its associates*

RFM acquired 91 almondlots licences from Rural Funds Trust in October 2013. Under the term of these licences, RFM was entitled to the harvest proceeds arising from these lots and was obligated to pay the operating expenses. RFM does not have rights or obligations as a Grower under the Scheme.

# RFM Almond Fund 2007

ARSN 124 998 527

## Notes to the Financial Statements

For the year ended 30 June 2016

### 14 Related party transactions

Transactions between the Scheme and related parties are on commercial terms and conditions.

*Responsible Entity (Rural Funds Management) and related entities*

The farm manager's fees are based on the farm operating costs incurred by the Responsible Entity plus property licence fees and management fees prescribed by the Scheme PDS during the year ended 30 June 2016.

Transactions between the Scheme and the Responsible Entity and its associated entities are shown below:

|  | 2016             | 2015             |
|--|------------------|------------------|
|  | \$               | \$               |
| Management fee                                       | 84,447           | 83,281           |
| <b>Total management fees</b>                         | <b>84,447</b>    | <b>83,281</b>    |
| Expenses reimbursed to RFM                           | 1,159,912        | 1,086,674        |
| Licence fee paid to Rural Funds Trust                | 464,731          | 422,766          |
| Rental expense paid to RF Active                     | 177,155          | 168,104          |
| Performance fee paid to RFM                          | 197,233          | -                |
| <b>Total amount paid to RFM and related entities</b> | <b>2,083,478</b> | <b>1,760,825</b> |

*Debtors and other receivables*

|              | 2016           | 2015          |
|--------------|----------------|---------------|
|              | \$             | \$            |
| RFM          | 110,329        | 10,936        |
| <b>Total</b> | <b>110,329</b> | <b>10,936</b> |

*Share redemption by related parties*

|              | 2016     | 2015         |
|--------------|----------|--------------|
|              | \$       | \$           |
| RF Active    | -        | 7,800        |
| <b>Total</b> | <b>-</b> | <b>7,800</b> |

### 15 Cash flow information

|   | 2016             | 2015             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Net (loss)/profit for the year</b>                                       | <b>(447,282)</b> | <b>1,673,016</b> |
| <b>Cash flows excluded from profit attributable to operating activities</b> |                  |                  |
| <b>Changes in assets and liabilities</b>                                    |                  |                  |
| (Increase)/decrease in trade and other receivables                          | 98,605           | (209,064)        |
| (Increase)/decrease in inventories  | 1,846,174        | (1,277,298)      |
| Increase in trade and other payables  | 191,656          | 16,516           |
| <b>Net cash inflow from operating activities</b>                            | <b>1,689,153</b> | <b>203,170</b>   |

# **RFM Almond Fund 2007**

ARSN 124 998 527

## **Notes to the Financial Statements**

**For the year ended 30 June 2016**

### **16 Events after the reporting date**

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is \$7.35/kg. This price decrease has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2016. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2017.

No other matter or circumstance has arisen since the end of the financial year that has significantly affected or could significantly affect the operation of the Scheme, the result of those operations or the state of affairs of the Scheme in future financial years.

# RFM Almond Fund 2007

ARSN 124 998 527

## Directors' Declaration

30 June 2016

### Directors of the Responsible Entity's Declaration

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of RFM Almond Fund 2007 set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Scheme's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- 2 There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of the Directors of Rural Funds Management Limited.



David Bryant  
Director

28 September 2016





## **Independent auditor's report to the growers of RFM Almond Fund 2007**

### ***Report on the financial report***

We have audited the accompanying financial report of RFM Almond Fund 2007 (the registered scheme), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in net assets attributable to growers and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the financial report***

The directors of Rural Funds Management Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



*Auditor's opinion*

In our opinion:

- (a) the financial report of RFM Almond Fund 2007 is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'J. Heraghty', written in a cursive style.

CMC Heraghty  
Partner

Sydney  
28 September 2016

### Responsible Entity

Rural Funds Management Limited  
ABN 65 077 492 838  
AFSL 226 701

Level 2, 2 King Street  
Deakin ACT 2600

[www.ruralfunds.com.au](http://www.ruralfunds.com.au)

Telephone (Investor Services)  
1800 026 665

Telephone (Adviser Services)  
1300 880 295

Facsimile  
1800 625 518